

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 FEAE-00 /083 W
----- 059207

R 111202Z SEP 75

FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3442
INFO AMEMASSY ABU DHABI
AMEMBASSY MANAMA
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DOAH
AMEMBASSY JIDDA
AMEMBASSY KABUL
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT
USINT BAGHDAD

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DEPARTMENT PASS USDOC

E.O. 11652: N/A

TAGS: BEXP, EIND, IR

SUBJECT: ANTI-PROFITEERING DRIVE CONTINUES: SOME
OFFICIAL GOI VIEWS

REF: TEHRAN 8447

1. ECONOMIC COUNSELOR, COMMERCIAL ATTACHE AND EMBASSY'S
SENIOR ECONOMIC ADVISOR MET WITH SENIOR COMMERCE UNDER-
SECRETARY MEMARZADEH ON SEPTEMBER 9 SEEKING INFORMATION ON
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OPERATION OF GOI PRICE CONTROL MEASURES WHICH UNDER HIS
JURISDICTION, WITH PARTICULAR REFERENCE TO REPORTED
MAXIMUM PERMISSIBLE PROFIT MARGINS. IN RESPONSE TO OUR
SPECIFIC QUERY, MEMARZADEH ASSERTED AT FIRST THAT NO ONE

SINGLE FIXED MARGIN OF PROFIT FOR ALL IMPORTED PRODUCTS HAD BEEN SET. IN CASE OF TEXTILES, HOWEVER, IMPORTED AND LOCALLY PRODUCED, IRANIAN MANUFACTURERS WOULD BE ALLOWED 10-15 PERCENT MARKUP; WHOLESALERS, 8 PERCENT; AND RETAILERS, 24 PERCENT. ALLOWABLE MARKUPS NECESSARILY DEPEND ON A NUMBER OF FACTORS AND WOULD VARY FROM ITEM TO ITEM. FOR EXAMPLE, HE SAID, SPARE PARTS HAVING SLOW RESALE SHOULD ENJOY HIGHER MARKUP THAN PRODUCT WITH QUICK TURNOVER BUT HE WAS DISINCLINED TO QUANTIFY WHAT MARKUPS WOULD BE ALLOWED ON LINES OTHER THAN TEXTILES. THE GOVERNMENT, HE SAID, WAS CONTINUING TO STUDY THE SITUATION AND WOULD CONSULT WITH AFFECTED BUSINESSMEN OVER THE NEXT SEVERAL MONTHS.

2. MEMARZADEH SAID BASIC BENCHMARK WAS PRICE EXISTING AT RETAIL LEVEL OF JANUARY 21, 1975 (FIRST DAY OF IRANIAN MONTH OF BAHMAN). ALL RETAIL PRICES HAD BEEN ROLLED BACK BY GOI TO THAT DATE; HOWEVER, CASE-BY-CASE EXCEPTIONS WERE BEING MADE, BUT THERE WOULD BE COMPARATIVELY FEW OF THESE.

3. IN RESPONSE TO FURTHER QUESTIONS, HOWEVER, MEMARZADEH SAID IN OBVIOUS CONTRADICTION TO PARA 1 ABOVE THAT "RULE-OF-THUMB" PROFIT MARGIN IN FACT BEING USED WAS 32-YEAR OLD PRICE STABILIZATION LAW WHICH SET A 15 PERCENT PROFIT AS A PERCENTAGE OF NET ANNUAL SALES FOR MERCHANTS. PENDING DEVELOPMENT OF A MORE RATIONAL WAY OF SETTING MARGINS ON INDIVIDUAL ITEMS, THIS NOW BEING INTERPRETED AS 10 TO 15 PERCENT PERMISSIBLE PROFIT MARGIN PER TRANSACTION.

4. PRIVATELY, MEMARZADEH ADMITTED GOI TROUBLED BY "HESITATION" OF BUSINESSMEN TO IMPORT MORE GOODS AND RETAILERS TO PURCHASE FROM WHOLESALERS AND IMPORTERS WHEN PROFITABILITY UNKNOWN FACTOR. (NOTE: MERCHANTS TELL US THAT THE CERTAINTY OF LOSSES IS MORE TO THE POINT.) AS A CONSEQUENCE, INVENTORIES ARE RUNNING AT LOW LEVELS (RESULTING IN INABILITY TO MEET FINANCIAL COMMITMENTS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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IN SOME INSTANCES), IMPORT ORDERS HAVE DROPPED, LETTERS OF CREDIT ARE AT LOW LEVELS, AND SOME SHORTAGES HAVE APPEARED. IT SHOULD BE NOTED THAT MEMARZADEH SPOKE STRICTLY OFF THE RECORD; THE GOI PUBLIC POSTURE CONTINUES TO BE THAT THERE WILL BE NO SHORTAGES, THAT LETTERS OF CREDIT ARE RUNNING AT RECORD HIGH LEVELS AND THAT PRICE CONTROL VIOLATORS WILL BE PROSECUTED RELENTLESSLY.

5. UNDERSECRETARY INDICATED GOI TRYING TO REASSURE BUSINESSMEN OF ITS INTENTION NOT TO HARASS BUSINESSMEN AND THAT ATTEMPTS ARE BEING MADE TO WORK OUT REASONABLE MODUS VIVENDI BUT THAT MORE TIME WAS REQUIRED.

6. COMMENT: ALTHOUGH EXUDING AN AIR OF SWEET REASONABLE-
NESS, UNDERSECRETARY GAVE NO GROUNDS FOR ANY HOPE THAT
GOI WOULD ABANDON OR MATERIALLY ALTER ITS ANTI-
PROFITEERING DRIVE. THERE WERE CONTRADICTIONS IN WHAT
HE TOLD US, BUT THE MAIN THRUST OF HIS COMMENTS WAS
CLEAR, I.E., THE SHAH'S WISHES IN ALL OF THIS WILL BE
IMPLEMENTED. IT MAY BE THAT SENIOR MINISTRY OF COMMERCE
OFFICIALS HAVE RECENTLY TRIED TO ADOPT A FRIENDLIER
STANCE IN DEALING WITH INDIVIDUAL BUSINESSMEN WHO DAILY
VISIT THE MINISTRY SEEKING RELIEF. YET OUR TRADE CONTACTS
REPORT VIRTUALLY NO GIVE IN THE GOVERNMENT'S POSITION AND
THEIR INDIGNATION OVER THE RECENT DISMAYING TURN OF EVENTS,
AS THEY SEE IT, CONTINUES. ONE LEADING IMPORTER OF SPARE
PARTS, FOR INSTANCE, TELLS US THAT SINCE THE ONSET OF
PRICE CONTROL HE HAS LOST 15-20 PERCENT ON EVERY SALE.
THE VERY PROMINENT HEAD OF THE INDUSTRIAL GROUP WHICH
NUMBERS THIS FIRM AMONG ITS SEVERAL DOZEN SUBSIDIARIES
SUDDENLY DEPARTED IRAN FOR THE INDEFINITE FUTURE.
AGED 72, HE REPORTEDLY TOLD HIS TWO SONS THAT HE WAS TOO
OLD TO GO TO JAIL, AND FORTHWITH DECAPTED.
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